

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Planning and Building	(2) MEETING DATE 10/6/2015	(3) CONTACT/PHONE Rob Fitzroy, Supervising Planner / 805-781-5179	
(4) SUBJECT Receive and file a staff presentation on Community Choice Aggregation and opportunities to participate in regional Community Choice Aggregation feasibility studies, and provide staff direction on the preferred option regarding participation in regional Community Choice Aggregation feasibility studies. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: 1. Receive and file a staff presentation on Community Choice Aggregation and opportunities to participate in regional Community Choice Aggregation feasibility studies. 2. Provide staff direction on the preferred option regarding participation in regional Community Choice Aggregation feasibility studies.			
(6) FUNDING SOURCE(S) General Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$50,000.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? No.
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ____) {X} Board Business (Time Est. <u>30 min.</u>)			
(11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances {X} N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1516031 {X} 4/5 Vote Required { } N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No.	(16) AGENDA ITEM HISTORY { } N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Lisa M. Howe			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Planning and Building / Rob Fitzroy, Supervising Planner / (805) 781-5179

VIA: Planning and Building / Trevor Keith, Deputy Director / (805) 781-1431

DATE: 10/6/2015

SUBJECT: Receive and file a staff presentation on Community Choice Aggregation and opportunities to participate in regional Community Choice Aggregation feasibility studies, and provide staff direction on the preferred option regarding participation in regional Community Choice Aggregation feasibility studies. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Receive and file a staff presentation on Community Choice Aggregation and opportunities to participate in regional Community Choice Aggregation feasibility studies.
2. Provide staff direction on the preferred option regarding participation in regional Community Choice Aggregation feasibility studies.

DISCUSSION

On July 14, 2015, your Board directed staff to return with information on Community Choice Aggregation programs. The following is an overview of Community Choice Aggregation programs, as well as a discussion of the opportunities to participate in regional Community Choice Aggregation feasibility studies.

Community Choice Aggregation Programs

California Assembly Bill 117, passed in 2002, gave Cities and Counties the ability to purchase and sell electricity by aggregating customer loads. Currently, there are three operational Community Choice Aggregation (CCA) programs within California and over twenty in process to be considered for adoption.

Through the establishment of a CCA program, the respective jurisdiction acts as an energy provider to all those within its boundaries. The primary goal of a CCA is to reduce electric energy costs for the rate payers. In general, there is a mark-up of the cost of energy from when it is purchased on the wholesale market to when it is sold to the consumer under traditional utility providers. A CCA program is intended to purchase energy on the wholesale market and sell the energy to consumers at a lower rate than traditional utility providers.

CCA programs expand the free market for energy by allowing jurisdictions to purchase energy from suppliers they choose. This is in contrast to the traditional utility business model based on a single energy provider. By leveraging the aggregate buying power of a large number of individual customers in a jurisdiction, the CCA program gives local government and citizens the ability to select their own energy portfolio and purchase energy from whomever they choose, as opposed to using the single energy provider. For example, a jurisdiction or citizen may wish to purchase 50% renewable energy and 50% traditional energy supply. The goals of the energy portfolio are decided upon by the respective jurisdiction and the community's desire. This also creates an economy for energy suppliers. Transmission, distribution, metering, billing, and customer service responsibilities would still remain with the utility (PG&E). CCA's may supply power through either wholesale purchase contracts and spot market purchases, ownership and operation of

generating plants, or some combination of methods. See Attachment 5 for an introductory report on CCA programs.

Benefits

- Greater customer choice in selecting community energy sources
- Local accountability and control over selection of energy resources and rate-setting
- Reduced energy costs through the negotiation of energy prices
- Increased price stability through a more diversified energy supply portfolio – including long-term power purchase agreements and ownership of low-cost generating resources
- Affordable renewable energy through economies of scale by aggregating customer load and using public financing
- Opportunities to implement energy efficiency and demand side management programs within the community
- Local delivery channel for new and existing energy programs such as feed-in-tariff, net energy metering, energy efficiency retrofits, distributed rooftop and community-shared solar, and demand response technologies
- Potential for creation of local jobs and economic development

Risks

- Potentially higher energy rates if desired energy sources are limited in supply
- Costs for ongoing operation of the CCA program
- Alienation of Investor Owned Utilities (PG&E), which are significant economic contributors to the region
- Future legislation could negatively impact CCA's
- Lower energy costs could increase energy use
- Uncertainty regarding the energy rates set by the CCA and the selection of energy supply mix

Opportunities to Participate in CCA Feasibility Studies

Option 1. On May 15, 2015, the County received a letter from Santa Barbara County requesting the County's participation in a CCA feasibility study being led by Santa Barbara County (Attachment 1). Ventura County was also invited and has agreed to participate. The initial cost of the feasibility study was estimated to be \$500,000. However, since May 15, 2015 it has been estimated that the cost would be \$225,000, of which \$100,000 would be offset by participation agencies (i.e. \$50,000 from San Luis Obispo County and \$50,000 from Ventura County).

Santa Barbara County has requested that the County contribute \$50,000 to the feasibility study, which would include all of San Luis Obispo County and all cities if they desire to participate. It is not known whether the seven cities would be willing to participate or contribute to the costs for participation. San Luis Obispo County would be an equal partner in the feasibility study. Ventura County has also contributed \$50,000, which includes unincorporated county and ten cities. The contract with Santa Barbara County and the exact details of the scope of work for the feasibility study would be developed once participation is authorized. Based on the overview of the scope of activities for the feasibility study provided by Santa Barbara County (Attachment 6), it is expected that the scope will include:

- Definition of objectives and study area
- Pro-forma analysis to assess the cost-benefit potential
- Risk analysis (pre and post implementation)
- Emissions impacts
- Economic impacts
- Load data analysis
- Rate/price modeling
- Power supply scenarios
- Sensitivity analysis for changes to prices for conventional and renewable energy, utility surcharges, and energy policy changes

Important considerations about this option:

- The feasibility study would provide an in-depth energy load analysis, infrastructure and program implementation analysis, and would provide a comprehensive overview of how a CCA would operate in the County.
- This option is time constrained because the County of Santa Barbara would need the funds to be transferred by October 15, 2015.
- Action (i.e. approval of the budget adjustment request) would need to occur by October 6, 2015 as it would not be possible to have this item return at a later date due to the deadline for transferring funds.

Option 2. On July 14, 2015, the City of San Luis Obispo invited the County to participate in an inter-jurisdictional pre-feasibility study for a CCA program within the County of San Luis Obispo. Each of the incorporated cities were also invited (Attachment 2). The pre-feasibility study is offered at no cost by California Clean Power and Community Choice Partners and includes analysis of regional energy usage data from PG&E. The City of Paso Robles expressed interest in participating in the pre-feasibility study with the City of San Luis Obispo, while the City of Morro Bay is exploring a separate process. The interest of other cities is not known.

Important considerations about this option:

- The pre-feasibility study would provide an energy load overview and provide information as to whether a CCA program is possible within the County.
- There would be no commitment from the County after the study is complete.
- A full feasibility study may be required after the pre-feasibility study is complete to gather further information.
- While this study would be no cost, if this option is selected, Option 1 would not be possible to pursue because of the time constraints noted above, i.e. the opportunity would have passed.
- If the County continued to pursue a CCA, the County would need to prepare a full feasibility study once the pre-feasibility is complete, and pay for the entire costs, which are estimated to be \$225,000, as opposed to cost sharing opportunities under Option 1.

Option 3. Option 3 would include pursuing the actions outlined in Option 1 and 2. This combined approach would maximize the data available to County when determining the course of action in pursuit of a CCA.

Option 4. Option 4 would be to take no action or provide alternative direction to the options outlined above.

General Plan & EnergyWise Policies

The County's General Plan and EnergyWise Plan include policies that support evaluation of CCA programs. Specifically, the Energy section of the Conservation and Open Space Element of the General Plan discusses Community Choice Aggregation under *Policy E1.2: Local Control*.

Implementation Strategy E 1.2.1 Evaluate Community Choice Aggregation: Determine if CCA or a similar program is a cost-effective and low-risk strategy to increase use of renewable energy, and realize a low-carbon, local energy portfolio. Evaluate CCA for the ability to:

- develop local energy resources that can feasibly supply heat and electricity to the county;
- determine the financial framework that provides the lowest cost funding for this portfolio;
- take actions necessary to provide access to the funding; and
- create public-private partnerships to construct, operate and maintain the new energy resources as public works projects

The Energy Wise Plan calls for an evaluation of CCA as a supporting action under Measure 9. "Countywide Energy Collaborative" to promote a wide range of energy efficiency and renewable programs. It states:

"Evaluate the development of a Community Choice Aggregation program with the incorporated cities in San Luis

Obispo County to procure up to 50% of the region's electricity use from renewable resources by 2020."

Additional Correspondence

The County has received a letter of support for CCA from Cal Poly San Luis Obispo (Attachment 3). In addition, the County has received numerous emails on the topic (Attachment 4).

OTHER AGENCY INVOLVEMENT

Santa Barbara County and Ventura County would be partners in the feasibility study, and the overall effort would be led by Santa Barbara County under Option 1. Under Option 2, the seven cities within San Luis Obispo County would be partners with the County in the pre-feasibility study.

FINANCIAL CONSIDERATIONS

Option 1. To pursue Option 1, your Board would need to authorize participation with Santa Barbara County to conduct a regional technical and financial feasibility study for a Community Choice Aggregation program, a budget adjustment request in the amount of \$50,000 from General Fund contingencies to the Distribution to Agencies account of Planning & Building for the feasibility study, the real transfer of \$50,000.00 to the County of Santa Barbara, and development and execution of an agreement between all parties.

Option 2. To pursue Option 2, your Board would need to authorize the Director of the Planning and Building Department to participate with the City of San Luis Obispo to conduct a pre-feasibility study for a CCA program and enter into an agreement with California Clean Energy to conduct the pre-feasibility study. This option would not require any additional general fund monies.

Option 3. To pursue Option 3, your Board would need to authorize the actions outlined in Option 1 and 2.

Option 4. No actions required, or, provide alternative direction.

RESULTS

Dependent on Board direction, Option 1 would result in a feasibility study for a CCA program in San Luis Obispo, Santa Barbara and Ventura Counties (and participating cities); Option 2 would result in a pre-feasibility study for a CCA program specifically for San Luis Obispo County (and participating cities); and Option 3 would result in both a pre-feasibility study for San Luis Obispo County specifically (and participating cities) and a feasibility study for a CCA program in San Luis Obispo, Santa Barbara and Ventura Counties (and participating cities). This is consistent with the County's goal of promoting livable and prosperous communities.

ATTACHMENTS

1. Attachment 1 – Letter from Santa Barbara County
2. Attachment 2 – Letter from City of San Luis Obispo
3. Attachment 3 – Letter from Cal Poly San Luis Obispo
4. Attachment 4 – Additional Correspondence
5. Attachment 5 – Community Choice Aggregation Overview Report
6. Attachment 6 – Letter from Santa Barbara County Regarding Scope of Activities